

Company Registration No. 07612487 (England and Wales)

OTIUM ENTERTAINMENT GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

OTIUM ENTERTAINMENT GROUP LIMITED

COMPANY INFORMATION

Director	Mr T D Fisher
Company number	07612487
Registered office	Sky Blue Lodge Leamington Road Ryton on Dunsmore Coventry CV8 3FL
Auditor	Edwards 34 High Street Aldridge Walsall West Midlands WS9 8LZ

OTIUM ENTERTAINMENT GROUP LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Director's report	3 - 4
Director's responsibilities statement	5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 22

OTIUM ENTERTAINMENT GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2019

The director presents the strategic report together with the audited financial statements for the year ended 31 May 2019.

The result for the year for the company is set out in the statement of comprehensive income on page 9. The directors do not recommend a payment of a dividend.

The directors consider the key performance indicators of the company to be league status, finishing position of the club, and the year's operating result.

Season Review

The 2018-19 season saw the club back in League One having been promoted from League Two in the previous season. The club finished a respectable 8th in the table, just 8 points outside of a play-off position, and for a period in early 2019 the play-offs looked a possibility. Of the 46 league games 18 were won, 17 lost and 11 matches ended in a draw. The average home league attendance was 12,363, the highest since the 15-16 season and season ticket sales at just over 7,000 were the highest for many seasons.

Subsequent to 2018-19 the club unfortunately had to move away from the Ricoh Arena, and has played its home games at St Andrews, Birmingham. This decision was not taken lightly by the Board and the Club's ownership.

Despite operating under groundshare circumstances the fans have consistently shown a magnificent level of support for the team during the 2019-20 season. The club would like to take this opportunity to thank all of our supporters for their outstanding and continued backing of the club.

With regard to the business performance, the 2018-19 period saw a slight increase in the year on year turnover of £289,658 (31st May 2019 £6,262,072; 31st May 2018 £5,972,414).

Despite the small increase in revenues, the operating loss of the company increased by £599,197 (31st May 2019 loss £2,215,556; 31st May 2018 loss £1,616,359) – this was as a direct consequence of administrative expenses increasing by £971,205.

The increase in administrative expenses mainly arose through two areas: increased contracted employee costs of c.£558,000 and higher player amortisation costs of c.£358,000 relating to the investment required to build a competitive playing squad. These increases are as a direct result of promotion to League 1.

Further to the business operational losses, the 2018-19 season saw a significant increase of £3,407,541 in the profit on player sales (31st May 2019 £4,381,086; 31st May 2018 £973,545). This increase was achieved mainly through contingent transfer fees being received following the sale by Norwich City FC of James Maddison to Leicester City FC, together with the sale of Marc McNulty to Reading FC.

With regard to player movements the company invested in excess of £800,000 in player acquisitions, with Amadou Bakayoko joining from Walsall FC and Conor Chaplin arriving from Portsmouth FC.

The increased player sales resulted in the business realising a profit before tax for 2019 of £69,916 (2018 loss £2,515,057).

Significant on-going investment in the Academy continues, with the club committing well in excess of the required minimum seasonal spend contribution in order to retain its Category Two Academy Status. The 2018-19 season saw Academy graduates Lee Burge, Jordan Wills, Jordan Shipley and Tom Bayliss regularly feature in the side and again we were high in the EFL "Futures" table for appearances for young home grown players. The Club has also committed to a 5 year lease at the Alan Higgs Centre which gives the Academy security in the medium term.

The company has maintained its position of not having material creditors, other than its shareholder.

OTIUM ENTERTAINMENT GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

Principal risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the company's performance. The company's future income is affected by the club's performance because significant revenues are dependent upon team performance in the Football League and domestic cup competitions.

In order for the team to remain competitive, significant investment is required on an ongoing basis. This investment needs to be balanced with the most important Board responsibility, which is to maintain a financially secure professional football club.

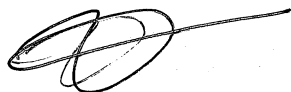
The Board maintains the financial discipline throughout the company to ensure that it is able to continue to operate within available shareholder funding facilities.

The company is dependent upon the continuing support from shareholders, and in consideration of such, prepares annual budgets and forecasts, and maintains a close working relationship with its financiers and shareholders.

The board continue to explore the possibilities of a return to the Ricoh for the playing season 2020-21, but in the absence of any agreement being reached, would seek to implement the option to continue the groundshare at St. Andrew's.

Further detail of the going concern position of the company is set out in note 1.

On behalf of the board



Mr T D Fisher

Director

25 February 2020

OTIUM ENTERTAINMENT GROUP LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2019

The director presents his annual report and financial statements for the year ended 31 May 2019.

Principal activities

The principal activity of the company continued to be that of running a professional football club.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr T D Fisher

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Post reporting date events

Transfers of player registrations subsequent to 31 May 2019, taking into account applicable costs and player acquisitions, resulted in a net c.£3,300,000 receivable by the club.

Auditor

Edwards were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

OTIUM ENTERTAINMENT GROUP LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

On behalf of the board



Mr T D Fisher
Director

25 February 2020

OTIUM ENTERTAINMENT GROUP LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2019

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

OTIUM ENTERTAINMENT GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OTIUM ENTERTAINMENT GROUP LIMITED

Opinion

We have audited the financial statements of Otium Entertainment Group Limited (the 'company') for the year ended 31 May 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

The company is reliant on group shareholders and the company's forecasts indicate that the company are likely to require additional funding within the next 12 months. The company has received written confirmations from group shareholders of their intention to continue to provide support to the company by not demanding repayment of loans owing to them for the foreseeable future. Group shareholders have also confirmed to the parent company their intention to provide or source funding, as required by the parent company. The parent company has confirmed to Otium Entertainment Group Limited, its undertaking, to provide continuing support which will enable the company to continue as a going concern. Notwithstanding this intention, there is no contractual certainty that such funding will be made available nor that the group shareholders loans will not be called upon for repayment within the next 12 months.

The board continue to explore the possibilities of a return to the Ricoh for the playing season 2020-21, but in the absence of any agreement being reached, would seek to implement the option to continue the ground share at St. Andrew's. Therefore, at the date of approval of these financial statements, there remains uncertainty regarding the outcome of these negotiations. This uncertainty regarding the venue for the 2020-21 season may also cast significant doubt on the company's ability to continue as a going concern.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

OTIUM ENTERTAINMENT GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF OTIUM ENTERTAINMENT GROUP LIMITED

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

OTIUM ENTERTAINMENT GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF OTIUM ENTERTAINMENT GROUP LIMITED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to him in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Tonks BSc (Econ) FCA (Senior Statutory Auditor)
for and on behalf of Edwards

28/2/2020

Chartered Accountants
Statutory Auditor

34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

OTIUM ENTERTAINMENT GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2019

		2019	2018
	Notes	£	£
Turnover		6,262,072	5,972,414
Cost of sales		(1,499,909)	(1,582,259)
		<hr/>	<hr/>
Gross profit		4,762,163	4,390,155
Administrative expenses		(6,977,719)	(6,006,514)
		<hr/>	<hr/>
Operating loss	3	(2,215,556)	(1,616,359)
Interest receivable and similar income		12	40
Other interest payable and similar expenses	6	(2,095,626)	(1,872,283)
Profit on player sales	7	4,381,086	973,545
		<hr/>	<hr/>
Profit/(loss) before taxation		69,916	(2,515,057)
Tax on profit/(loss)	8	-	-
		<hr/>	<hr/>
Profit/(loss) for the financial year		<u>69,916</u>	<u>(2,515,057)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

OTIUM ENTERTAINMENT GROUP LIMITED

BALANCE SHEET

AS AT 31 MAY 2019

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Intangible assets	9		729,163		166,927
Tangible assets	10		432,960		385,535
			<u>1,162,123</u>		<u>552,462</u>
Current assets					
Stocks	11	10,176		-	
Debtors	12	447,143		800,942	
Cash at bank and in hand		56,603		682,223	
			<u>513,922</u>	<u>1,483,165</u>	
Creditors: amounts falling due within one year	13	(21,439,765)		(21,869,263)	
Net current liabilities			<u>(20,925,843)</u>		<u>(20,386,098)</u>
Net liabilities			<u>(19,763,720)</u>		<u>(19,833,636)</u>
Capital and reserves					
Called up share capital	16		65,215,308		65,215,308
Equity component of convertible loan	16		249,087		249,087
Profit and loss reserves			(85,228,115)		(85,298,031)
Total equity			<u>(19,763,720)</u>		<u>(19,833,636)</u>

The financial statements were approved and authorised for issue by the board and were signed on it's behalf on 25 February 2020



Mr T D Fisher
Director

Company Registration No. 07612487

OTIUM ENTERTAINMENT GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2019

	Share capital	Equity component of convertible loan	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 June 2017	65,215,308	249,087	(82,782,974)	(17,318,579)
Year ended 31 May 2018:				
Loss for the year	-	-	(2,515,057)	(2,515,057)
Balance at 31 May 2018	65,215,308	249,087	(85,298,031)	(19,833,636)
Year ended 31 May 2019:				
Profit for the year	-	-	69,916	69,916
Balance at 31 May 2019	<u>65,215,308</u>	<u>249,087</u>	<u>(85,228,115)</u>	<u>(19,763,720)</u>

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

Company information

Otium Entertainment Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Sky Blue Lodge, Leamington Road, Ryton on Dunsmore, Coventry, CV8 3FL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Sky Blue Sports & Leisure Limited. These consolidated financial statements are available from Companies House.

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

(Continued)

1.2 Going concern

Notwithstanding the year-end balance sheet, which shows net current liabilities of £20,925,843 (2018 - £20,386,098) and net liabilities of £19,763,720 (2018 - £19,833,636) the financial statements have been prepared on a going concern basis.

As part of their going concern considerations, the directors have prepared detailed forecasts for the period to 28 February 2021 as part of the longer term forecasts prepared for the company. These forecasts show that the company needs additional funding from group shareholders for the period from June 2019 to February 2021.

The company has received written confirmations from group shareholders of their intention to continue to provide support to the company by not demanding repayment of loans owing to them for the foreseeable future. Group shareholders have also confirmed to the parent company their intention to provide or source funding, as required by the parent company. The parent company has confirmed to Otium Entertainment Group Limited, its undertaking, to provide continuing support which will enable the company to continue as a going concern. Notwithstanding this intention, there is no contractual certainty that such funding will be made available nor that the group shareholders loans will not be called upon for repayment within the next 12 months. This casts significant doubt on the company's ability to continue as a going concern.

The board continue to explore the possibilities of a return to the Ricoh for the playing season 2020-21, but in the absence of any agreement being reached, would seek to implement the option to continue the ground share at St. Andrew's. Therefore, at the date of approval of these financial statements, there remains uncertainty regarding the outcome of these negotiations. This uncertainty regarding the venue for the 2020-21 season may also cast significant doubt on the company's ability to continue as a going concern.

The directors consider the going concern basis to be appropriate as they have no reason to believe that the group shareholders will not provide the required support, nor that a suitable venue at which to host the 2020-21 season football matches will not be found. However these conditions indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

1.3 Turnover

Turnover, which all arises in the United Kingdom, represents match receipts, executive box rentals and income from commercial activities receivable by the group, excluding VAT and trade discounts. Turnover is recognised for match related income in accordance with the matches played. Sponsorship and similar commercial income is recognised over the duration of the respective contracts in line with the contractual terms. Income arising from the fixed element of TV receipts is recognised over the course of the playing season. The non-fixed element of TV receipts relating to match coverage are recognised as the matches are played.

Income from match receipts, sponsorship and commercial contracts, which has been received prior to the year end in respect of future football seasons, is treated as deferred income.

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

(Continued)

1.4 Intangible fixed assets

The group capitalises, as an intangible asset, the element of a player's transfer fee which relates to his registration together with associated costs and amortises that element over the period of his contract including any subsequently agreed extensions. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

Trade marks purchased separately from a business are included at cost and amortised over their useful economic lives of 10 years.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method and on the following basis:

Freehold buildings	2% per annum
Plant, fixtures and equipment	7.5% to 33.3% per annum

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Retirement benefits

The pension costs charged against profits represent the amount of the benefit payable to the scheme in respect of the accounting period.

Certain employees are members of the Football League Pension and Life Assurance (FLPLA) Scheme and the Football League Players' Benefit Scheme ("the schemes"). The company continues to make contributions in respect of its share of the deficit of these defined benefit pension schemes. Accrual of the benefits on a final salary basis was suspended with effect from 31 August 1999, when actuarial review showed a substantial deficit. As one of the number of participating employers the company is advised only of its share of the scheme's deficit and recognises a liability in respect of this. Contributions payable to the scheme's reduce this liability.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.13 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The nature of the company's business is such that there can be unpredictable variation and uncertainty regarding its business. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	-	215
Depreciation of owned tangible fixed assets	67,002	34,987
Profit on disposal of tangible fixed assets	-	(2,250)
Amortisation of intangible fixed assets	446,889	89,041
Operating lease charges	535,831	574,714
	<u> </u>	<u> </u>

4 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	12,000	22,000
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	2,000	4,000
All other non-audit services	2,500	3,500
	<u> </u>	<u> </u>
	<u>4,500</u>	<u>7,500</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019	2018
	Number	Number
Players and management	122	132
Administrative and commercial	13	11
Stewards (part time)	227	209
	<u> </u>	<u> </u>
	<u>362</u>	<u>352</u>

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

5 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	4,839,886	4,238,767
Social security costs	448,083	383,924
Pension costs	33,646	256,608
	<u>5,321,615</u>	<u>4,879,299</u>

Included within wages and salaries, are amounts of £51,180 (2018 - £361,710) which have been included within direct operating costs for the year.

Eligible staff are members of the Football League Limited Pension and Life Assurance Scheme. The latest valuation of the scheme deficit has shown an underfunding of the scheme and accordingly the company's current share of the liability stands at £430,516 (2018 - £478,583). This is included within creditors.

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

During the prior year, an additional accrual in relation to the Football League Limited Pension and Life Assurance Scheme was required due to an updated position being provided by the Football League. This has not recurred in the current year.

6 Interest payable and similar expenses

	2019 £	2018 £
Other loan interest payable	2,788	2,827
Other interest payable	1,756,737	1,548,431
Withholding tax due on interest payable	336,101	321,025
	<u>2,095,626</u>	<u>1,872,283</u>

7 Profit on player sales

	2019 £	2018 £
Profit on player sales	<u>4,381,086</u>	<u>973,545</u>

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

8 Taxation

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit/(loss) before taxation	69,916	(2,515,057)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	13,284	(477,861)
Tax effect of expenses that are not deductible in determining taxable profit	2,479	2,964
Tax effect of income not taxable in determining taxable profit	-	(238)
Tax effect of utilisation of tax losses not previously recognised	(16,795)	-
Other permanent differences	-	1,435
Other timing differences	-	1,333
Deferred tax not recognised	1,032	472,367
Taxation charge for the year	-	-

Factors that may affect future tax charges

The Finance Act 2016, which was passed on 15 September 2016, provided that the main UK corporation tax rate was reduced to 19% from 1 April 2017 and will be reduced to 17% from 1 April 2020. In addition, the company has unrecognised tax losses of £3,221,650 (2018 - £3,241,983). These have not been recognised as their future recoverability is uncertain.

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

9 Intangible fixed assets

	Goodwill	Trademarks	Player registrations	Total
	£	£	£	£
Cost				
At 1 June 2018	2,224,038	3,820	354,740	2,582,598
Additions	-	-	1,039,379	1,039,379
Disposals	-	-	(91,349)	(91,349)
At 31 May 2019	2,224,038	3,820	1,302,770	3,530,628
Amortisation and impairment				
At 1 June 2018	2,224,038	3,061	188,572	2,415,671
Amortisation charged for the year	-	382	446,507	446,889
Disposals	-	-	(61,095)	(61,095)
At 31 May 2019	2,224,038	3,443	573,984	2,801,465
Carrying amount				
At 31 May 2019	-	377	728,786	729,163
At 31 May 2018	-	759	166,168	166,927

10 Tangible fixed assets

	Freehold land and buildings	Plant, fixtures and fittings	Total
	£	£	£
Cost			
At 1 June 2018	359,999	213,315	573,314
Additions	-	114,427	114,427
At 31 May 2019	359,999	327,742	687,741
Depreciation and impairment			
At 1 June 2018	29,577	158,202	187,779
Depreciation charged in the year	5,432	61,570	67,002
At 31 May 2019	35,009	219,772	254,781
Carrying amount			
At 31 May 2019	324,990	107,970	432,960
At 31 May 2018	330,422	55,113	385,535

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

10 Tangible fixed assets	(Continued)	
The carrying value of land and buildings comprises:	2019	2018
	£	£
Freehold land	118,573	118,573
	<u>118,573</u>	<u>118,573</u>
11 Stocks	2019	2018
	£	£
Finished goods and goods for resale	10,176	-
	<u>10,176</u>	<u>-</u>
12 Debtors	2019	2018
Amounts falling due within one year:	£	£
Trade debtors	25,942	159,600
Other debtors	44,840	127,250
Prepayments and accrued income	376,361	514,092
	<u>447,143</u>	<u>800,942</u>
13 Creditors: amounts falling due within one year	2019	2018
	£	£
Trade creditors	1,014,080	464,445
Amounts owed to related parties	8,650,929	8,904,377
Taxation and social security	389,043	356,774
Other creditors	547,722	593,273
Accruals and deferred income	10,837,991	11,550,394
	<u>21,439,765</u>	<u>21,869,263</u>

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

14 Borrowings

	2019	2018
	£	£
Borrowings are repayable as follows:		
Accrued interest on related party loan	7,701,460	7,169,181
Related party loan	8,650,929	8,904,377
	<u>16,352,389</u>	<u>16,073,558</u>

The borrowings are secured by way of a debenture over certain assets of the company to ARVO Master Fund Limited, a company which has an interest in the shares of the company.

15 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	33,646	256,608
	<u>33,646</u>	<u>256,608</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

16 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000
15,258,720 'A' preference shares of £1 each	15,258,720	15,258,720
49,955,588 'B' preference shares of £1 each	49,955,588	49,955,588
	<u>65,215,308</u>	<u>65,215,308</u>

Ordinary shares have the right to vote on the basis of one vote per share held.

'A' Preference shares have no rights as to voting.

'B' Preference shares have no rights as to voting.

Equity component of convertible debt

£

At 1 June 2018 and 31 May 2019

249,087

A subsidiary company has issued £2,000,000 of unsecured convertible loan notes to a related party. These loan notes are convertible to ordinary shares in specific circumstances and have been treated as having elements of both debt and equity.

OTIUM ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

17 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	21,734	385,271
Between two and five years	12,625	4,237
	<u>34,359</u>	<u>389,508</u>

18 Contingent liabilities

The company has, under transfer agreements, a liability to pay additional sums dependent on players' attainment of agreed numbers of first team appearances and any subsequent transfer value. No provision has been made in these accounts for such liabilities as the conditions are not met at the balance sheet date and no reliable estimates can be made of any subsequent transfer values.

	2019 £	2018 £
Maximum amounts payable:	<u>194,000</u>	<u>100,000</u>

19 Contingent assets

Based on transfer agreements signed prior to the year-end the company could potentially receive additional amounts of at least £342,500 (2018 - £650,000). These sums are dependent on the attainment of certain objectives by the player and the club they are now employed by. Conditions have not been met at the balance sheet date and no asset has been recognised

20 Related party transactions

ARVO Master Fund Limited are minority shareholders and Sky Blue Sports & Leisure Limited are the majority shareholders and own the 'A' preference shares.

Included within note 14 are loans payable to the minority shareholder, other loans and associated accrued interest. Interest charged on these loans is included in note 6.

The directors are considered to be key management personnel. During the current and prior period, no compensation was paid to key management personnel for services provided to the company.

21 Ultimate controlling party

The parent undertaking of the company is Sky Blue Sports & Leisure Limited, which is registered in England and Wales. The majority shareholding in Sky Blue Sports & Leisure Limited is held by Investment Funds under the management of SISU Capital Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Sky Blue Sports & Leisure Limited, incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from Companies House.